

BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Comments In Support of H.R. 5095, a Bill to Extend the Current Temporary Suspension of Duty on Certain Alternating Current Motor Assemblies of an Output Exceeding 74.6 Watts But Not Exceeding 85 Watts

Lasko Products, Inc. supports the enactment of H.R. 5095, a bill that would extend the current temporary suspension of the duty on imports of an alternating current motor assembly used in Lasko's production of certain household oscillating fans.

Lasko is a United States manufacturer of portable electric fans for household use. Lasko employs approximately 908 workers at plants located in Pennsylvania, Tennessee, and Texas. The company is currently celebrating its 106th year in business. It is still family owned and operated.

Enactment of H.R. 5095 will significantly enhance Lasko's ability to compete against finished electric fans imported from China and elsewhere, thereby enabling Lasko to avoid cost cutting measures that could lead to the loss of American jobs and investment. The motor component of the assembly described in H.R. 5095 is not manufactured in the United States. Consequently, Lasko must import the assembly in order to continue manufacturing finished oscillating fans in the United States. In that context, import duties on this motor assembly were suspended through December 31, 2009 pursuant to the 2006 MTB. That suspension was renewed under the 2010 MTB. Prior to suspension in 2006, the duties that Lasko paid on this motor assembly increased its production costs, adversely affecting the company's ability to compete with low-cost finished oscillating fans imported largely from manufacturers in China.

Extending the current suspension of the duty on this motor assembly will not harm any U.S. industry because no manufacturer in the United States can produce the motor component of the assembly. Nor will it result in an excessive reduction in duty revenue collections -- the annual revenue loss will be less than \$500,000. A duty reduction on this motor assembly will, however, help to improve Lasko's ability to compete in the U.S. market against low-priced imported oscillating fans.

The Subject Motor Assembly

The motor assembly that is the subject of H.R. 5095 is a specific type of capacitor-start, single phase alternating current electric motor assembly comprising the motor, a self-contained gear mechanism for oscillation, and a mechanical speed control mechanism. It is used by Lasko to manufacture certain of its 18 inch portable oscillating electric fans.

H.R. 5095 is narrowly drafted to apply only to motor assemblies comprising AC electric motors within a specific and relatively narrow power output range equipped with a motor mount of plastics, a self-contained gear mechanism for oscillation, and a

manually adjusted mechanical speed control. Motor assemblies meeting this description can only be used in the production of oscillating fans for household use.

Prior to suspension of duties, imports of this motor assembly were classifiable under subheading 8501.40.40 of the Harmonized Tariff Schedule of the United States. Currently, this motor assembly is classifiable under subheading 9902.85.10 as follows:

AC electric motors of an output exceeding a 76.4 W but not exceeding 85 W, single phase; each equipped with a capacitor, a manual speed control mechanism, a motor mount of plastics, and a self-contained gear mechanism for oscillation (provided for in subheading 8501.40.40).

As has been the case since 2006, all small motors classifiable under HTSUS Heading 8501 that do not fit this description would remain dutiable (unless they are separately subject to specific duty suspensions or reductions).

Why a Temporary Duty Reduction is Necessary

Despite increased foreign competition, particularly from China, Lasko has made a concerted effort to continue manufacturing its products in the United States. As part of this effort, Lasko has made capital investments in its manufacturing facilities exceeding \$6.4 million over the past three years. Lasko uses over 65 injection molding machines, three body manufacturing cells, ten assembly lines, and five automatic palletizing lines to produce its various electric fan products in the United States. Its U.S. factories run five (and sometimes seven) days per week, 24 hours per day.

Lasko attempts to source as many manufacturing components as possible in the United States. However, it is necessary for Lasko to import the subject motor assembly, as no U.S. manufacturer produces the motor component. In addition, Lasko has experienced increased production costs from the rising prices of component materials such as plastic, aluminum, and copper. A reduction of import duties on the subject motor assembly would help offset cost increases and would help Lasko to avoid such cost-cutting measures as outsourcing fan production.

Lasko is the only U.S. manufacturer of portable oscillating fans for household use. The majority of Lasko's competition in the U.S. market comes from China in the form of finished oscillating fans. These imports undercut the prices at which Lasko can sell its finished fans in the United States, making competition difficult. A reduction of the duty on the subject motor assembly will enable Lasko to compete more effectively against imported fans, preserve its investment in U.S. manufacturing, and save American jobs.

H.R. 5095 is Non-Controversial

Extending the suspension of import duties on the motor assembly described in H.R. 5095 will not injure any U.S. industry. As noted above, there are no U.S. manufacturers of the motor component of the assembly described in the bill, and the

motor assembly cannot be sourced from a U.S. manufacturer. Thus, the narrow scope of H.R. 5095 ensures that its enactment will not harm members of any domestic industry. Instead, enactment of H.R. 5095 will have the sole effect of making Lasko more competitive against imports of finished oscillating fans, thereby preserving American jobs.

H.R. 5095 Will Not Result In A Revenue Loss of More Than \$500,000

The annual revenue lost through extending the suspension of duty if H.R. 5095 is enacted will be less than \$500,000. Moreover, as noted above, there are no other U.S. manufacturers of oscillating fans for household use. Consequently, the Committee can be confident in Lasko's projection that the revenue lost through temporary suspension of duty would be less than \$500,000.

For all of the foregoing reasons, Lasko supports H.R. 5095 and urges its favorable consideration.

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